

Office Q1 2024

10.1%

Vacancy Rate

YoY  
Chg12-Mo.  
Forecast

-53K

YTD Net Absorption, SF



\$22.30

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS  
Q1 2024

817K

Hampton Roads  
EmploymentYoY  
Chg12-Mo.  
Forecast

3.1%

Hampton Roads  
Unemployment Rate

3.8%

United States  
Unemployment Rate

Source: BLS

## ECONOMY: INFRASTRUCTURE UPGRADES

The largest construction project in the Virginia Department of Transportation's history is behind schedule with a completion date pushed back eighteen months. The \$3.9 billion Hampton Roads bridge and tunnel expansion adds twin tunnels and doubles the number of lanes to eight total along ten miles of the crossing. This project has impactful implications for the region's economy across all three pillars including defense spending, port transportation, and tourism. This project will hopefully be the catalyst for other major infrastructure projects including the I-87 corridor project connecting Hampton Roads to Raleigh and points south, the continued expansion of I-64 in James City County better connecting Hampton Roads and Richmond, and continued Port of Virginia expansion and modernization. GDP in Hampton Roads is expected to increase 2% in 2024 despite continued sluggish job growth. The unpredictability of Congress is a global issue, but it hits home in Hampton Roads, a market with the largest proportion of the economy derived from federal government spending outside of Washington DC.

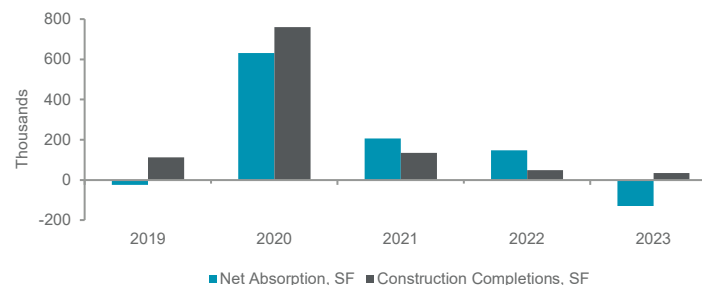
## FUNDAMENTALS: A&amp;E DRIVING DEMAND

Architecture and engineering (A&E) firms represented the largest percentage of office occupiers doing new deals in 2023 in the region's class A office properties. The infrastructure projects mentioned above have been a strong component of this increased demand. The flight to quality continues to be a theme across most submarkets where walkable amenities, quality space, and the landlord's willing to make healthy tenant improvement contributions are the winners. Companies are using office space and culture as their strongest recruiting tool. Available inventory has tightened in submarkets like Virginia Beach Town Center, City Center in Newport News, and the Summit Pointe project in Chesapeake. The exceptions have been Downtown Norfolk and the Hampton Roads Center submarket. The holes in both of those submarkets have pushed overall market vacancy into double digits for the first time this cycle. However, vacancy is closer to 6% when those two outliers are removed. Asking rents continue to rise despite sluggish absorption because of tenant improvement amortization hurdles. The Dominion Enterprise building in Norfolk, the former Ferguson HQ buildings on Jefferson, Lakefront Plaza in Hampton, and Silver Oak in the Northampton corridor are all quality buildings in strong locations that are feeling the impact of the region's inability to attract new jobs and major employers that can take down large blocks of space.

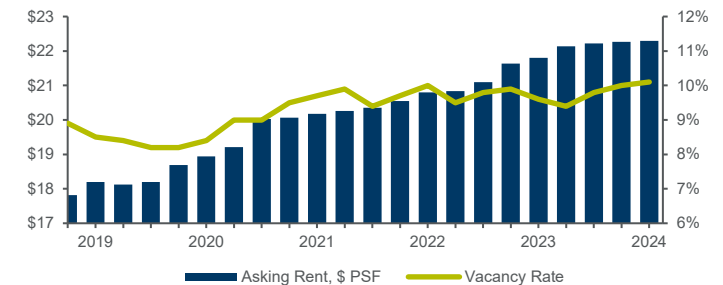
## FORECAST: CONTINUED TIGHTENING

Negative supply growth will keep the market healthy despite continued sluggish absorption and leasing velocity. The office market mirrors the overall economy in Hampton Roads; until there is true organic job growth, the market will plod along on a slow steady path but will struggle to keep up with neighboring, competitive markets, consistent without dramatic changes.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY &amp; ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Chesapeake	4,721,695	39,601	422,249	11.6%	66,816	66,816	81,308	0	\$21.40	\$21.53
Gloucester	81,565	0	773	0.9%	0	0	0	100,000	N/A	N/A
Hampton	3,397,574	15,670	355,956	10.9%	-25,370	-25,370	17,604	0	\$16.39	\$16.34
Harborview / Western Branch	1,415,721	0	59,170	4.2%	1,288	1,288	28,903	0	N/A	N/A
Newport News	6,540,578	0	644,286	9.9%	-3,384	-3,384	16,385	0	\$20.94	\$22.03
Norfolk	8,570,555	35,048	1,058,074	12.8%	-727	-727	40,728	0	\$24.52	\$27.04
Portsmouth	862,648	3,155	40,279	5.0%	-1,146	-1,146	915	0	\$18.12	\$18.84
Suffolk	1,022,513	0	17,166	1.7%	1,545	1,545	4,480	0	\$28.00	\$28.00
Virginia Beach	10,095,759	59,226	1,072,484	11.2%	-90,350	-90,350	58,234	0	\$22.38	\$23.28
Williamsburg	1,185,238	0	39,298	3.3%	-1,746	-1,746	9,170	40,000	\$19.93	N/A
York	492,188	340	15,895	3.3%	505	505	1,633	0	\$21.42	N/A
<b>HAMPTON ROADS TOTALS</b>	<b>38,386,034</b>	<b>153,040</b>	<b>3,725,630</b>	<b>10.1%</b>	<b>-52,569</b>	<b>-52,569</b>	<b>259,360</b>	<b>140,000</b>	<b>\$22.30</b>	<b>\$23.59</b>

\*Rental rates reflect full service asking.

## KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
850 Greenbrier Circle	Chesapeake	Canon, Inc.	49,751	Renewal
2901 Sabre Street	Virginia Beach	Avalon Bay Communities	25,943	Renewal
5800 Lake Wright	Norfolk	CMA CGM	13,221	New

## KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
157 N. Main Street	Suffolk	PCA, Ltd. / Economic Development Authority of Suffolk Virginia	38,380	\$2.45M / \$64
152 Burnetts Way	Suffolk	Roll Burnetts Way, LLC / Peninsula Institute for Community Health; Southeastern VA Health System	19,860	\$1.5M / \$76
2011 Queen Street	Portsmouth	SMK Properties, LLC / City of Portsmouth	11,146	\$1.09M / \$98



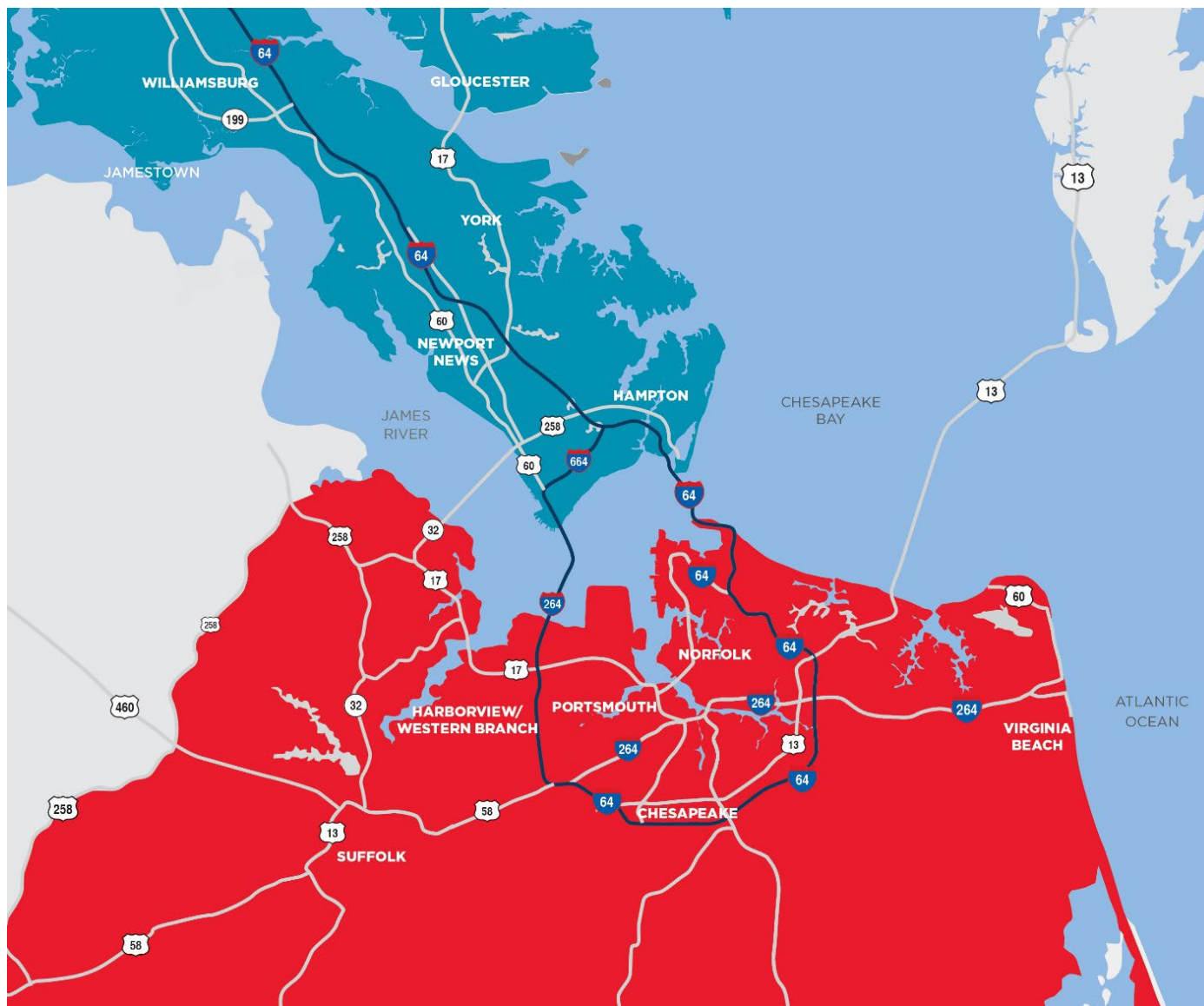
MARKETBEAT

# HAMPTON ROADS

Office Q1 2024

CUSHMAN &  
WAKEFIELD  
THALHIMER

## OFFICE SUBMARKETS



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